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McWATTERS GOLD MINES, LIMITED

ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1967

McWATERS GOLD MINES, LIMITED

OFFICERS	G. D. PATTISON - - - - -	<i>President</i>
	S. A. PERRY - - - - -	<i>Vice-President</i>
	R. D. BELL - - - - -	<i>Secretary-Treasurer</i>
	J. P. BRISBOIS - - - - -	<i>Assistant Secretary-Treasurer</i>
DIRECTORS	ROY BARKER - - - - -	Geraldton, Ontario
	R. D. BELL - - - - -	Toronto, Ontario
	G. D. PATTISON - - - - -	Aurora, Ontario
	S. A. PERRY - - - - -	Toronto, Ontario
	W. W. WEBER - - - - -	Toronto, Ontario
TRANSFER AGENT AND REGISTRAR	EASTERN & CHARTERED TRUST COMPANY	Toronto, Ontario
AUDITORS	RIDDELL, STEAD, GRAHAM & HUTCHISON	Toronto, Ontario
HEAD OFFICE	SUITE 509, 25 ADELAIDE STREET WEST	Toronto, Ontario

McWATTERS GOLD MINES, LIMITED

DIRECTORS' REPORT

To the Shareholders:

Submitted with this report are the financial statements of your Company for the year ended December 31, 1967, with Auditors' Report thereon dated March 8, 1968.

During the year 1967 a modest exploration program was conducted on the group of 54 mining claims in Langmuir Township, Porcupine Mining Division, Ontario, in which your Company owns an 82½ % interest. As previously reported, the main purpose of this program was to provide sufficient assessment work credits to make application for mining lease and this application is now proceeding. The exploration program, consisting of deep penetration electromagnetic surveying followed by 1,298 feet of diamond drilling, was also designed to test the segment of the property near and on strike of a nickel discovery made on the adjoining property to the north east. The results of this work did not indicate any economic mineralization. Previous surface diamond drilling on these claims after allowing for 15% dilution at 0.25% nickel has indicated a nickel-bearing deposit estimated as follows:

	Tons	Nickel %
Lower zone	165,790	1.92
Upper zone	477,770	0.77
	<u>643,560</u>	<u>1.07</u>

No further exploration work on this group of claims is planned at this time pending any major developments which may occur on neighbouring properties.

During the year several property examinations were made but no new properties were acquired.

On behalf of the Board,

G. D. PATTISON,
President.

Toronto, Ontario,
May 14, 1968.

McWATTERS GOLD MINES, LIMITED

Balance Sheet as at December 31, 1967

ASSETS

	1967	1966
CURRENT ASSETS		
Cash	\$ 788,816	387,579
Government of Canada bonds, at cost (quoted market \$39,500)	50,000	50,000
Interest bearing deposit with broker		1,064,458
Accounts receivable	19,491	1,250
	<u>858,307</u>	<u>1,503,287</u>
INVESTMENTS		
Shares in other mining companies, at cost (quoted market \$716,323)	688,080	88,300
Shares in other mining companies, at nominal value	4	3
Shares in other companies, at cost (quoted market \$66,938)	66,630	
	<u>754,714</u>	<u>88,303</u>
INVESTMENT IN SUBSIDIARY COMPANY (Note 1)		
Shares, at cost	49,743	49,743
Advances	3,951	3,841
	<u>53,694</u>	<u>53,584</u>
PROPERTY AND RELATED EXPENDITURES, at cost		
82½ % interest in 54 mining claims staked by the company in Langmuir Township, Ontario including exploration costs of \$154,302 (Note 2)	156,071	166,253
Other mining claims, including exploration costs of \$31,866		36,266
	<u>156,071</u>	<u>202,519</u>
	<u>\$1,822,786</u>	<u>1,847,693</u>

AUDITORS' REPORT

To the Shareholders,
McWATTERS GOLD MINES, LIMITED:

We have examined the balance sheet of McWatters Gold Mines, Limited as at December 31, 1967 and the statements of exploration and development expenses, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants.

March 8, 1968.

MINES, LIMITED

December 31, 1967

LIABILITIES

CURRENT LIABILITIES	1967	1966
Accounts, payable and accrued	\$ 3,709	10,144

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized

5,000,000 shares of no par value

Issued and fully paid

1,025,000 shares for property	110,000	110,000
3,257,506 shares for cash	1,567,170	1,567,170
<u>4,282,506</u>	<u>1,677,170</u>	<u>1,677,170</u>

RETAINED EARNINGS	141,907	160,379
	<u>1,819,077</u>	<u>1,837,549</u>

Signed on behalf of the Board:

G. D. PATTISON, Director.

R. D. BELL, Director.

<u>\$1,822,786</u>	<u>1,847,693</u>
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 1967

1. INVESTMENT IN SUBSIDIARY COMPANY
The company holds approximately 60% of all the issued and outstanding capital stock of Tavane Exploration Limited. The only activity of Tavane up to December 31, 1967 was to acquire certain mining claims in Carman Township on which the company had previously held an option. As at that date Tavane had not yet begun to develop the claims. Because of the inactivity, audited financial statements of Tavane as of December 31, 1967 have not been prepared and accordingly its accounts have not been consolidated with those of McWatters.
2. PROPERTY AND RELATED EXPENDITURES
During the year the company settled its dispute with Quebec Manitou Mines Limited as to ownership of the 54 mining claims in Langmuir Township. Under the settlement the company is to have an undivided 82½% interest and Quebec Manitou a 17½% interest. Quebec Manitou's interest is non-assessable and is not to be charged with the payment of any exploration, development, maintenance or carrying costs expended either to date or in the future. In consideration for its interest in the property, Quebec Manitou has paid to the company an amount of \$20,000.

McWATTERS GOLD MINES, LIMITED

STATEMENT OF EXPLORATION AND DEVELOPMENT EXPENSES

For the year ended December 31, 1967

	1967	1966
	<u> </u>	<u> </u>
LANGMUIR TOWNSHIP (Note 2)		
Balance at beginning of year	\$ 164,484	164,277
Expended during the year		
Survey and line cutting	2,940	
Consulting	2,085	
Drilling	9,710	
Assays	33	
Supplies, transport, wages and general	1,636	207
	<u>180,888</u>	<u>164,484</u>
Credits during the year		
Recovery of prior year's expenses	6,586	
Proceeds from sale of interest	20,000	
	<u>26,586</u>	<u>—</u>
Balance at end of year	<u>\$ 154,302</u>	<u>164,484</u>
OTHER PROPERTIES		
Balance at beginning of year	\$ 31,866	36,259
EXPENDED DURING THE YEAR		
Survey and line cutting		8,531
Consulting		5,094
Drilling		28,948
Assays		316
Supplies, transport, wages and general	127	2,461
	<u>31,993</u>	<u>81,609</u>
Written off to retained earnings	31,993	
Transferred to investment in subsidiary company		49,743
	<u>31,993</u>	<u>49,743</u>
Balance at end of year	<u>\$ —</u>	<u>31,866</u>

McWATTERS GOLD MINES, LIMITED

STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1967

	1967	1966
	<u> </u>	<u> </u>
CHANGES DURING THE YEAR		
Interest earned	\$ 52,712	67,249
	<u> </u>	<u> </u>
Less		
Administrative expenses		
Administrative fees	12,000	9,000
Directors' fees	2,000	2,000
Office and general	5,292	1,556
Professional fees	4,151	526
Registrar and transfer agent's fees	1,334	580
Reports to shareholders	1,087	1,399
	<u>25,864</u>	<u>15,061</u>
	26,848	52,188
Profit on sale of investments		124,547
	<u>26,848</u>	<u>176,735</u>
Cost of mining claims abandoned	4,400	1,200
Exploration and development expenditures on properties abandoned	31,993	
General exploration expenses	8,927	6,756
Advance to affiliated company written off		200
	<u>45,320</u>	<u>8,156</u>
NET CHANGES	(18,472)	168,579
Retained earnings (deficit) at beginning of year	160,379	(8,200)
	<u> </u>	<u> </u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 141,907</u>	<u>160,379</u>

McWATTERS GOLD MINES, LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1967

	1967	1966
	<u> </u>	<u> </u>
SOURCE OF FUNDS		
Interest earned	52,712	67,249
Profit on sale of investments		124,547
Proceeds from sale of interest in Langmuir property	20,000	
	<u>72,712</u>	<u>191,796</u>
APPLICATION OF FUNDS		
Purchase of investments	666,411	72,871
Administrative expenses	25,864	15,061
General exploration expenses	8,927	6,756
Deferred exploration and development expenses less recovery	9,945	45,557
Cost of mining claims		2,000
Advances to subsidiary company	110	3,841
Advances to affiliated company		200
	<u>711,257</u>	<u>146,286</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(638,545)	45,510
Working capital at beginning of year	1,493,143	1,447,633
WORKING CAPITAL AT END OF YEAR	<u>\$ 854,598</u>	<u>1,493,143</u>

McWatters Gold Mines, Limited

Suite 509, 25 Adelaide Street West,
Toronto 1, Ontario

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual Meeting of the Shareholders of McWatters Gold Mines, Limited will be held at Suite 510, 25 Adelaide Street West, Toronto, Ontario on Thursday the 13th day of June, 1968, at the hour of 11:00 o'clock in the forenoon, Toronto Time, to:

- (a) receive the 1967 Annual Report, including the financial statements for the year ended December 31, 1967 with the Report of the Auditors thereon;
- (b) elect Directors;
- (c) appoint auditors and authorize the Directors to fix their remuneration;
- (d) transact such other business as may properly come before the meeting or any adjournment thereof.

A copy of the 1967 Annual Report accompanies this notice.

DATED at Toronto, this 27th day of May, 1968.

By Order of the Board of Directors,

R. D. BELL,
Secretary.

Shareholders who are unable to attend the meeting in person are requested to date and sign the enclosed form of instrument of proxy and return it in the envelope provided for that purpose.

McWATTERS GOLD MINES, LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1967

	1967	1966
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	<u>711,257</u>	<u>146,286</u>
 INCREASE (DECREASE) IN WORKING CAPITAL	<u>(638,545)</u>	<u>45,510</u>
Working capital at beginning of year	1,493,143	1,447,633
 WORKING CAPITAL AT END OF YEAR	<u><u>\$ 854,598</u></u>	<u><u>1,493,143</u></u>

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McWatters Gold Mines, Limited

Suite 509, 25 Adelaide Street West,
Toronto 1, Ontario

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of McWatters Gold Mines, Limited (the Company) of proxies for use at the Annual Meeting of the Shareholders of the Company and at any adjournment thereof to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. The solicitation will be made primarily by mail but it may be that proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

A SHAREHOLDER DESIRING TO APPOINT ANY PERSON OTHER THAN THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY AS HIS NOMINEE TO ATTEND AND ACT AT THE MEETING FOR HIM MAY DO SO by striking out the printed names in the enclosed form of proxy and inserting the name of his nominee in the blank space provided in the form of proxy.

A shareholder who has given a proxy may revoke the same at any time.

EXERCISE OF DISCRETION

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL BE VOTED FOR THE APPROVAL OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS, AND FOR THE ELECTION OF DIRECTORS AND THE APPOINTMENT OF AUDITORS AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES

On May 27, 1968 the Company had outstanding 4,282,506 shares of no par value, carrying the right to one vote per share so that the aggregate number of votes attaching to all the outstanding shares is 4,282,506. The Directors and senior officers of the Company do not know of any person or company beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of the Company except the following:

Name	Approximate number of such shares beneficially owned directly or indirectly	Percentage of outstanding equity shares represented by the number of shares so owned
Dobeco Limited	1,116,800	26.1

ELECTION OF DIRECTORS

The Board consists of five Directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the Board of Directors and have been since the dates indicated. The Management does not contemplate that any of the nominees will be unable to serve as a Director but, if that should occur for any

reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each Director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated.

The following information is furnished with respect to each person proposed to be nominated for election as a Director:

<u>Name</u>	<u>Became Director</u>	<u>Number of shares beneficially owned</u>
Roy Barker of Geraldton, Ontario is and has been for the preceding five years a self-employed prospector.	1967	210,500
R. D. Bell of Willowdale, Ontario is Secretary-Treasurer of the Company, which office he has held since 1965. He is a chartered accountant, and has been for the preceding five years, Secretary-Treasurer of Perry-Pattison Limited, Corporate Secretaries.	1958	1
G. D. Pattison of Aurora, Ontario is President of the Company, which office he has held since 1965. He is a chartered accountant, and has been for the preceding five years, Vice-President of Perry-Pattison Limited, Corporate Secretaries.	1958	1
S. A. Perry of Toronto, Ontario is Vice-President of the Company, which office he has held since 1965. He is, and has been for the preceding five years, President of Perry-Pattison Limited, Corporate Secretaries.	1956	1
W. W. Weber of Toronto, Ontario is and has been for the preceding five years a consulting geologist retained by Mogul Mines Limited.	1958	1

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the fiscal year ended December 31, 1967 the aggregate remuneration payable by the Company to the Directors and senior officers was \$2,000.00.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Riddell, Stead, Graham & Hutchison, Chartered Accountants of Toronto, as auditors of the Company to hold office until the next Annual Meeting of Shareholders.

May 27, 1968.

